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ROCK-TENN COMPANY
SAINT PAUL MILL

Jack B. Greenshields
Senior Vice President
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MN PUBLIC UTILITIES COMMISSION

July 7, 2005

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Minnesota Pollution Control Agency
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Mr. Burl Haar
Executive Secretary
Minnesota Public Utilities Commission
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Waldorf Corporation (d/b/a: Rock-Tenn Company) (herein Rock-Tenn) respectfully requests a more thorough environmental impacts review of the NSP St. Paul High Bridge major modification proposal based on the potential negative impacts to Rock-Tenn's St. Paul paper recycling facility and Minnesota's paper recycling infrastructure.

These comments are submitted in response to:

- **The Minnesota Pollution Control Agency's Public Notice on Draft/Proposed "Air Emission Facility Permit No. 12300012-04 to Northern States Power Company d/b/a Xcel energy for their facility located at 501 Shepard Road, St. Paul, Ramsey County, MN", and**
- **The Administrative Law Judge's Report and Recommendation "Re: In the Matter of the Application by Xcel Energy for a Site Permit for the High Bridge Repowering Project in Ramsey County, Minnesota; MEQB Docket No. 05-91-PPS-Xcel High Bridge OAH Docket No. 4-2901-16586-2" (As a result of recent authority transfer by new state law effective July 1, 2005 and outlined in Senate File 1368, this is being sent to the MPUC instead of MEQB)**

Established in 1908, the Rock-Tenn site located in the Midway District of St. Paul has long been a key component of the state's recycling infrastructure. With Minnesota boasting one of the highest paper recycling rates in the nation, it can be argued that this facility is a cornerstone to that success. Today the plant recycles nearly 1000 tons of scrap paper each day and plays an important roll in the local economy, directly employing a diverse and well-compensated workforce exceeding 500 employees.

Thermal energy is a significant and critical component of manufacturing 100% recycled paperboard. Access to reliable and affordable energy is key to remaining competitive in the recycled paper market. Since 1983, the High Bridge Power Plant has provided Rock-

Tenn steam energy from its dedicated boilers #3 & #4. Steam is delivered via a 5 ½ mile pipeline. Under this arrangement, Waldorf has invested well over \$60 million in the pipeline and associated plant equipment. When the existing High Bridge Plant closes, Rock-Tenn stands to lose this entire investment and will also lose access to affordable energy. The potential increased energy cost combined with the current paperboard market situation would likely put our recycling operations in jeopardy.

In making this comment, Rock-Tenn neither seeks to undermine MERP, nor question the importance of such action. Despite Rock-Tenn's immediate concerns with the MERP proposal, we chose to support the effort. We recognized the good intentions and public policy goals of the project. This facility has long considered itself part of Minnesota's environmental solution. Besides playing a critical role in the state's recycling infrastructure, Rock-Tenn has been a leader in many environmental initiatives including voluntarily reducing over 1000 tons per year of Volatile Organic Compound (VOC) emissions and building an open dialogue with many of our neighbors resulting in the signing of a Good Neighbor Agreement. The intended positive environmental outcomes of MERP are not at issue. However, without neglecting the many positive benefits, we are requesting that the MPCA and the MPUC (EQB), as well as neighborhood groups, environmental groups, and other MERP supporters consider the unintended negative impacts related to Rock-Tenn and Minnesota's paper recycling infrastructure.

While the fact that Rock-Tenn's welfare was seriously neglected in the MERP deliberations, we have tried to maintain an optimistic viewpoint of the options. We recognized early on that a new modern, highly efficient coal fired boiler operation located on-site may have the opportunity to actually lower our future energy costs. However, as the MPCA is acutely aware, such a proposal would be difficult to permit due to the likely opposition. We have also earnestly considered the development of a Combined Heat and Power facility on-site using a greenhouse-gas-neutral biomass fuel. Unfortunately, we have come to recognize that significant logistical barriers related to the availability and transportation of sufficient biomass fuel decreases the feasibility of such an operation.

With the existing energy supply window closing fast, Rock-Tenn has also pursued short-term solutions to its energy needs. The existing steam line contract enters its final year in June of 2006. Any short-term solution that can be permitted in time to offset the anticipated decrease in reliability would result in extremely high operating expenses that are not viable. To meet the tight engineering, permitting, and construction timeline required, Rock-Tenn has submitted to the MPCA a request for a major modification to allow the installation and operation of two new, natural gas fired package boilers. However, current operating margins will in no way support the ~\$11 million in capital and ~\$6 million fuel driven increase in annual operating costs. The increase in cost cannot simply be passed onto our customers.

Thus, as events have and continue to unfold, Rock-Tenn has become less optimistic regarding its future and finds it necessary now to communicate our concerns. While some may find the viability interests of Rock-Tenn's operations and workforce arguments parochial, certainly the impact of our plant's closure on the local paper

recycling rates and infrastructure solicit concern for all and justifies further analysis. Rock-Tenn's submits that statements on the permit and environmental assessment misrepresent the impacts on MN recycling infrastructure and the Rock-Tenn operation. Both of these impacts should warrant further review. The current Environmental Assessment contains this language:

"Area industries will not be adversely impacted by the HBRP. The decommissioning of the existing plant will result in the loss of a source of steam that the Rock-Tenn Paper Company is currently using. Rock-Tenn is aware of this future loss and has several years to address this change." (emphasis added by author)

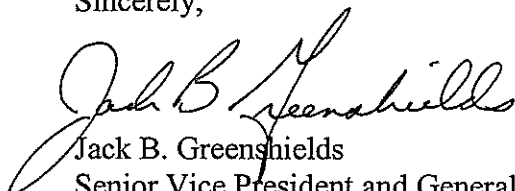
Again, Rock-Tenn seeks not to block the conversion of the High Bridge facility nor challenge the goals of MERP. Rather, we believe a more thorough review of this action will identify compelling reasons to address and mitigate Rock-Tenn's situation. We have identified potential solutions, such as,

- 1) Altering the schedule of the current High Bridge plant shutdown so Rock-Tenn can avoid the wasted short-term capital expenditures and continue its recycling operations while a viable long-term solution is developed,
- 2) As previously requested (and opposed by Xcel), include a stranded capital provision in MERP for the lost investment in the steam-line that could be earmarked for Rock-Tenn's new power plant.
- 3) Provide Natural Gas subsidies so Rock-Tenn can economically operate until a long-term energy solution can be developed.

Rock-Tenn respectfully requests the MPCA and the MPUC (EQB) to consider a more comprehensive additional impacts analysis of the Xcel's High Bridge Plant conversion plans, taking into account the highly significant impacts on Rock-Tenn's St. Paul continued operations. Rock-Tenn is confident that, if provided with the necessary support and attention, this crisis can be turned into an positive circumstance that would solidify Rock-Tenn's recycling operations, ultimately strengthen the state's recycling infrastructure, maintain well paying jobs, enhance the local economy, and further benefit the environment.

Thank you for your consideration.

Sincerely;


Jack B. Greenshields
Senior Vice President and General Manager
Rock-Tenn Company, St. Paul Mills